

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 21st Floor
San Francisco, California 94105**

REG-2008-00010

February 5, 2009

2008 CALIFORNIA LOW COST AUTOMOBILE INSURANCE RATE PROPOSAL

**FINAL STATEMENT OF REASONS AND
UPDATED INFORMATIVE DIGEST**

INTRODUCTION AND UPDATED INFORMATIVE DIGEST

On September 24, 2008, California Insurance Commissioner Steve Poizner held a public hearing to discuss the California Automobile Assigned Risk Plan's (CAARP) rate proposal for the California Low Cost Automobile ("CLCA") Insurance program.

Commissioner Poizner has determined, after public hearing and opportunity for comment, to approve an overall rate adjustment of +5.0% for the CLCA.

California Insurance Code section 11629.72(c)(4) provides that CAARP shall submit the loss and expense data, together with a proposed rate and the surcharge authorized for youthful operators on an annual basis. CAARP submitted its 2008 rate proposal on January 15, 2008, seeking an overall rate increase of +8.8%. At the rulemaking hearing on September 24, 2008, CAARP submitted updated data which CAARP believed would authorize an overall rate increase of as much as +10.9%. By this proposed rulemaking action, and for the reasons set forth in the Commissioner's Decision and Order, the Commissioner hereby approves an overall rate adjustment of +5.0% for the CLCA program. As is explained below, this rate adjustment is necessary to make the CLCA program consistent with existing law and policy.

STATEMENT OF SPECIFIC PURPOSE AND NECESSITY FOR REGULATIONS

California Insurance Code sections 11629.7 through 11629.85 require, within the California Automobile Assigned Risk Plan ("CAARP") established under section 11620, a statewide low cost automobile insurance program. Because the program is established and administered through CAARP, CAARP procedures are applied where appropriate and consistent with the low cost automobile insurance statutes.

Insurance Code section 11629.72 provides that, after a public hearing, the Commissioner shall approve rates that are sufficient to cover losses incurred through policies issued under the program and those reasonable and necessary expenses incurred due to participation in the CLCA program. Rates must also be set in a manner that prevents any projected subsidy of the program by policyholders who are not participants in the program. Similarly, rates must be set in a manner that prevents subsidies of policyholders in one county by policyholders in any of the other counties. This plan, approved by the Commissioner, is referenced in Title 10, section

2498.6 of the California Code of Regulations. The rate amendments to the CLCA and revisions to the plan approved by the Commissioner and set forth within his Decision and Order are reasonably necessary to implement, interpret and make specific Insurance Code sections 11629.7, 11629.71, and 11629.72, which authorize the establishment of rates by county for the CLCA.

JUSTIFICATION FOR CHANGE WITHOUT REGULATORY EFFECT

Section 2598.6

In addition to the rate approval described above, two changes without regulatory effect were made to these regulations. The language of section 2498.6 was revised to remove the specific listing of dates for each revision to this regulation section. In place of the list of dates for each revision, the regulation now provides in relevant part: "...effective June 19, 2001, with effective dates through *[insert date of approval for latest regulatory revision here]*." Similarly, section 2498.6 was revised to remove the listing of names for all of California's counties. In place of the listing of each county, the regulation now provides in relevant part: "The California Automobile Insurance Low Cost Program Plan of Operations is the statutorily-required plan for the equitable apportionment, among insurers required to participate in the California Automobile Assigned Risk Plan, of persons residing in California who are eligible to purchase a low cost automobile insurance policy."

Each change is merely cosmetic in nature. The changes do not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision. These changes were reasonably necessary to remove unnecessary verbiage and to improve upon the clarity of the regulation. Although the Commissioner did receive comments concerning this rate proposal, no comments were received concerning these changes without regulatory effect.

MANDATES

The regulations do not impose a mandate on local agencies or school districts.

COMPARABLE FEDERAL LAW

There are no comparable existing federal regulations or statutes.

IDENTIFICATION OF STUDIES

Aside from the original CAARP rate proposal and written submissions presented by CAARP in conjunction with this rate hearing, the Commissioner, in proposing the adoption of these regulations, did not rely upon any data or technical, theoretical or empirical study, report or similar document.

SPECIFIC ACTIONS, PROCEDURES, TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed regulations will not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner has determined that no reasonable alternatives exist to carry out the purpose for which the regulations are proposed. Performance standards were considered but were rejected as contrary to the statutes authorizing the promulgation of county-by-county rates. While the Commissioner invited public comments on the proposed changes and reasonable alternatives which would be as effective to carry out the proposed changes, no reasonable alternatives were presented.

ECONOMIC IMPACT ON BUSINESS

The Commissioner initially determined that the proposed regulations will not have a significant adverse economic impact on businesses. While the Commissioner invited interested parties to comment on whether the proposed regulations will have a significant adverse economic impact on business, no comments were submitted on this subject.

ECONOMIC IMPACT ON SMALL BUSINESS

The Commissioner has not identified any alternatives that would lessen any adverse impact on small businesses. Nor have any such alternatives otherwise been identified and brought to the attention of the Commissioner that would lessen any impact on small business. To the extent that the proposed regulations affect insurance companies, the proposed regulations do not affect small business. (See Gov. Code § 11342.610.)

SUMMARY AND RESPONSE TO COMMENT

The summary and response to comments are organized and bound directly after this page.